

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7646

BILL NUMBER: HB 1970

NOTE PREPARED: Jan 11, 2003

BILL AMENDED:

SUBJECT: Usury Rates.

FIRST AUTHOR: Rep. Alderman

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL
DEDICATED
FEDERAL**

IMPACT: No Fiscal Impact

Summary of Legislation: This bill defines usury as interest that exceeds the prime rate plus either 8% for oral contracts or 10% for written contracts. It prevents the enforcement of usurious credit terms when the lender is not a corporation or other business entity. The bill makes conforming changes.

Effective Date: Upon passage; July 1, 2003.

Explanation of State Expenditures: The bill should not have a state or local fiscal impact.

The bill establishes the maximum legal interest rate or service charge to be the prime rate at the largest bank in Indiana on January 1, April 1, July 1, or October 1 plus 8%. If a contract contains a larger rate, then the contract is void. The following are the types of loans that are affected:

1. Consumer credit sales other than revolving charge accounts, IC 24-4.5-2-201, with a current maximum of between 15% and 36%,
2. Consumer-related sales, IC 24-4.5-2-602, with a current maximum of 21%,
3. Loan finance charge for consumer loans other than supervised loans, IC 24-4.5-3-201, with a current maximum of 21%,
4. Loan finance charge for supervised loans, IC 24-4.5-3-308, with a current maximum of between 15% and 36%, and
5. Limitation on default charges in consumer-related loans, IC 24-4.5-3-604, with a current maximum of 21%.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected:

Local Agencies Affected:

Information Sources:

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